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## **President Obama's Budget and the House Budget: Questions and Answers, Rebutting Critics**

**Q: Critics say the budget increases spending. Can we afford that?**

A: In fact, the President's budget cuts non-defense discretionary spending over 10 years – to its lowest level as a percent of the economy in nearly half a century. And the House budget reduces spending beyond that.

The President's budget includes \$2 trillion worth of budget savings through:

- Responsibly ending the war in Iraq
- Cutting programs that are not effective
- Ending tax breaks for corporations that ship jobs overseas
- Letting a deficit-busting tax cut for the wealthiest 2% in America expire

It also contains key integrity initiatives to protect taxpayer money by rooting out any waste, fraud, and abuse, saving nearly \$50 billion over 10 years. Among other things, this will:

- Reform federal contracting and defense purchasing
- Reduce improper payments and strengthen efficiency in Social Security, Medicare and Unemployment Insurance programs
- Step up IRS enforcement to collect unpaid corporate and individual taxes

The House budget resolution supports these efforts to make sure that taxpayers' dollars are wisely spent.

**Q: There's still a deficit. Do the President's budget and the House budget impose an enormous debt for our children to pay?**

A: Both the President's budget and the House budget cut the deficit by nearly two-thirds in four years – with the House budget containing even deeper cuts in the deficit than what the President proposed. Under the House budget resolution, the deficit falls from \$1.7 trillion or 12.3% of GDP in 2009 to \$586 billion or 3.5% of GDP in 2013.

After eight years of failed Republican policies under the Bush Administration, the Obama Administration inherited a massive, unprecedented budget mess:

- a national debt of nearly \$12 trillion, double the amount when they took office,
- the debt held by foreign countries triple the level in 2000
- a record surplus of \$5.6 trillion over 10 years under President Clinton ... turned into a record 10-year deficit of \$5.8 trillion under President Bush

This budget makes dramatic progress to turn that legacy around.

Democrats are committed to long-term deficit reduction – it is a key to sustainable economic growth. As we approach 2015 and 2016, we will be making adjustments to ensure that the deficit stays on a downward trajectory. But those adjustments can be made better when our economy has emerged from recession.

At the same time, the House budget supports the President's plan to make long overdue investments in energy, education and health care, which are key to spurring long-term economic growth and a promising future for our children.

**Q: What does the House Budget do on taxes?**

A: The President's budget restores balance to our tax code so that middle class families pay less in taxes and the wealthiest pay their fair share after years of getting so many tax breaks. This will not only strengthen the middle class, it will help to put our economy back on track.

The House Budget Resolution generally follows that blueprint:

- Cuts taxes for middle income families by \$1.5 trillion, with an extension of the 2001 and 2003 income tax cuts for those taxpayers making under \$250,000 each year.
- Protects millions of middle-class families who would otherwise be hit by the alternative minimum tax in 2010.
- Provides tax relief for small businesses.

The budget also accommodates the following proposals in the President's budget:

- Expanding the Child Tax Credit helping millions of families with children.
- Making the \$2,500 American Opportunity Tax Credit permanent to make college more affordable. This is a new tax cut President Obama promised in his campaign.
- Expanding the Earned Income Tax Credit by providing tax relief to families with three or more children and increasing marriage penalty relief.
- Automatic enrollment in IRAs and 401(k)s and expanding the current tax credit for saving for retirement.
- Additional small business tax relief.

Like the President's budget, the House Budget Resolution will not:

- Increase taxes for families making less than \$250,000 a year.

**Q: Isn't it a problem to raise taxes on the wealthiest 2% of Americans during a recession?**

A: None of the tax proposals in the President's budget affecting the top 2% of taxpayers would go into effect until 2011, when the economy is projected to be in recovery. The President's budget lets the Bush tax cuts for the wealthy – affecting only the top 2 percent of taxpayers making \$250,000 or more -- expire in 2011, thereby returning only the top tax rates to where they were in the 1990s, when we created 22 million new jobs and enjoyed significant economic growth.

The House budget and the American Reinvestment and Recovery Act cut taxes for most Americans. The recovery plan cuts taxes now for 95 percent of working families for the next two years. The House budget, like the President's budget, supports the permanent extension of the 2001 and 2003 tax cuts (10 percent rate, marriage penalty relief, child tax credit) for all American households making less than \$250,000.

**Q: How will the Obama budget affect small businesses? Will it raise their taxes?**

A: Some 98 percent of all small businesses will receive a tax cut or see their taxes stay the same under the President's budget; less than 3 percent will be affected by letting the 2001 and 2003 tax cuts expire for the wealthy. [CBPP]

The evidence shows that, for the few small businesses affected, allowing these tax cuts to expire will not damage the small business community. The President's budget will bring only the top tax rates back to the level they were in the 1990s, when small business job growth (averaging 756,000 a year) was double the amount during the Bush years.

The House budget also includes funding to extend expensing for small business so they can take tax deductions for new investments in plants and equipment. It also allows for the elimination of the capital gains tax for individuals on the sale of certain small business stocks and other small business tax relief and allows for making the Research and Experimentation Tax Credit permanent. These proposals will spur investment and innovation to help small businesses – the job-creating engines of our economy – succeed.

The President's budget also includes the following for small businesses:

- \$28 billion in loan guarantees to expand credit availability for small businesses
- Support for \$1.1 billion in direct disaster loans for businesses, homeowners and renters

**Q: Are you reinstating the death tax?**

A: The House Budget, like the President's budget, permanently extends estate tax relief to ensure that 99.7 percent of estates in this country never pay a dime of taxes. By keeping the estate tax exemption of up to \$7 million per couple, the budget puts forward a responsible approach that cuts the number of estates subject to taxes by 84 percent compared to 2000. Without this proposal, the estate tax would increase in 2011 to 55 percent, applying to all estates above \$1 million.

**Q: Why are you focusing on energy, education and health care while we are in a deep recession?**

A: The House budget, like the President's budget, puts the economy first. It puts more money into the hands of most Americans and businesses—and into the economy—but it also makes long-term sustainable improvements. This budget is part of the Obama Administration's comprehensive strategy to get the economy moving again – building on the Economic Recovery Package, to make key investments to create and save jobs, enhance our global competitiveness, and invest in our nation's future. Making long overdue investments in energy, education and health care will form a solid foundation for long-term economic growth.

- Health care reform is needed to reduce the growth of health care costs, the largest single contributor to projected long-term deficits, and a growing burden on our businesses' ability to compete in the global marketplace and on American families' prosperity.
- Educating our children so they have the skills to compete in the 21<sup>st</sup> Century global marketplace is critical to the success of American businesses and industries.
- Investment in energy will create new jobs in new industries that use cutting edge technology and American know-how for greater energy savings and renewable energy, while reducing our dangerous dependence on foreign oil.

While making these investments that will lead to new jobs and new industries, the budget emphasizes fiscal responsibility – cutting the deficit by nearly two-thirds in four years to ensure that our long-term economic growth is sustainable.

**Q: Why does the House budget call for the use of the reconciliation process for the consideration of health care and education reform, sidestepping a Senate filibuster option?**

**A:** The reconciliation process has been frequently used to enact core priorities of the President's or Congress' agenda for years. In the last 14 years, it has been used seven times to pass a range of priorities, including the 2001 and 2003 Bush Tax Cuts, the bipartisan Balanced Budget Act of 1997, Welfare Reform in 1996 and the Contract with America Agenda in 1995. Before that, it was used to pass the Clinton budget and economic plan, and the Reagan Tax cuts. If reconciliation is such a good idea to give tax break to billionaires, why is it such a bad idea for legislation to bring down costs and expand access to health care for all of our people, and better educate our workforce for global competition?

Reconciliation simply allows certain legislation to be passed by a simple majority in the Senate and protected from filibusters. The House budget provides reconciliation instructions as a fallback option to consider health care reform in the event that Congress has not acted by the fall.

**Q: Does the House budget differ from the Obama budget?**

**A:** The House budget resolution is a blueprint for five years – setting some broad guidelines for congressional consideration of spending and tax legislation later in the year. It leaves to the expertise of the appropriations, authorizing, and tax-writing committees the actual spending and policy decisions to implement this blueprint.

The House budget resolution closely mirrors the outlines of the budget submitted by President Obama – with some adjustments reflecting Congressional input. The House budget resolution cuts the deficit by nearly \$500 billion more than the President over five years, and, for example, does not assume reductions in agricultural payments or the reduced deduction for charitable contribution or mortgage interest for high-income taxpayers.

**Q: Did the House budget drop the President's Making Work Pay Tax Cut?**

**A:** The House budget includes a \$1.5 trillion tax cut for middle-income taxpayers – permanently extending the 2001 and 2003 tax cuts (10 percent rate, marriage penalty relief and the child tax credit) for all making less than \$250,000. In addition, the Making Work Pay tax cut for 95% of American workers—providing an additional tax cut of up to \$400 per worker and \$800 per couple—is fully in place for two years as part of the American Recovery and Reinvestment Act, and can be continued as the economy grows.

**Q: What does the House budget resolution do on energy?**

**A:** The budget resolution provides an 18 percent increase for energy programs for 2010, building on \$39 billion in funding and \$20 billion in tax incentives for energy provided by the Recovery Act. These investments in renewable energy, energy efficiency, emerging energy and vehicle technologies, and other initiatives will increase our energy independence and create hundreds of thousands of new jobs.

The House budget resolution also includes an energy reserve fund to allow the House to take up legislation to increase investments in renewable energy, energy efficiency, and emerging technologies or to limit and reduce greenhouse gas emissions, and help businesses, communities, and families to adjust to the new energy economy. As the budget blueprint for House action this year, the budget resolution leaves specific decisions on legislation to the House committees who are responsible for these issues.

Making America energy independent will not only create jobs, but is critical to strengthening our national security, as we can no longer afford the price volatility inherent to our dangerous dependence on foreign countries for so much of our energy.

**Q: Why doesn't the House budget include reconciliation instructions for legislation to limit and reduce greenhouse gas emissions? Is Congress committed to getting this done?**

**A:** The budget resolution approved by the House Budget Committee accommodates deficit-neutral legislation to increase investments in renewable energy, energy efficiency, and emerging technologies. The committees are already well on their way to moving comprehensive clean energy legislation to create new energy jobs and cut carbon pollution, and the Chairmen believe using budget reconciliation instructions could in fact hinder the ability to fashion and pass stronger, consensus legislation.

**Q: Does the House budget authorize the VA to bill veterans' insurance companies for care of their service-connected conditions? How much funding does it provide for veterans' health care?**

**A:** No. To safeguard the provision of health care to veterans, the House budget explicitly rejects any proposal authorizing the VA to bill private insurance companies for treating health conditions related to veterans' military service and also bolsters veterans funding over the President's budget to back that up. The President worked with House Democrats to make this fix.

The House budget generally follows the President's budget, which provides the largest funding increase ever requested by a President for veterans' programs. The House budget provides \$53.3 billion for veterans programs for 2010 -- \$5.5 billion (11.5 percent) more than the 2009 level. This is crucial to expanding mental health screening and treatment, which is vital as many veterans are suffering from PTSD and Traumatic Brain Injury in their return from the Iraq and Afghanistan wars. The budget includes funding to restore health care eligibility to more than 500,000 non-disabled veterans making as little as \$29,000 per year (Priority Group 8 veterans).

The budget also accommodates deficit-neutral legislation to enhance veterans' health care and benefits, consistent with the President's budget proposal to allow hundreds of thousands of highly disabled veterans (who are medically retired) to receive both retirement and disability benefits earned through their service to the nation.

Because of this serious commitment to serving our veterans, the budget is strongly supported by major veterans' organizations including American Legion, Veterans of Foreign Wars, Paralyzed Veterans of America, Disabled American Veterans, Vietnam Veterans of America, and Iraq and Afghanistan Veterans of America.

"The \$53.3 billion in appropriated veterans funding demonstrates your appreciation for those who have worn the uniform of this nation, and it acknowledges the debt that this nation owes to its former defenders.... this budget would allow the Department of Veterans Affairs to continue to provide high-quality care to veterans of past wars, while continuing to meet the unique challenges that OEF/OIF veterans face." [VFW, 3/25]

“For the second year in a row, the committee’s budget resolution surpasses even the recommendation of the Independent Budget, the blueprint for the VA budget endorsed by leading veterans’ organizations including IAVA. By increasing veterans’ funding by 11.5%, or \$5.5 billion, the committee has displayed their serious commitment to supporting our nation’s veterans.” [IAVA, 3/25]

The resolution “will allow the VA to better address the needs of the men and women returning from Operations Enduring Freedom and Iraqi Freedom, as well as all veterans who have served in the past. I particularly appreciate the fact that your mark rejects any proposal to bill veterans’ third-party insurance for the care service-connected illnesses or injuries.” [DAV, 3/25]

**Q: Is this budget a surprise shift of American priorities?**

A: No, this budget is the agenda that the American people voted for in November:

- investments in clean energy to create new jobs and industries, free us from our dependence on foreign oil and make America the leader in new clean energy technology,
- reform of health care to reduce costs for families and to strengthen American business,
- excellence in education, and
- rebalancing the tax code so that middle class families and small businesses pay less and the wealthiest Americans pay their fair share after years of tax breaks.

True, this budget is bold in its vision. But the severity of the economic and fiscal crisis the Administration has inherited demands boldness and urgent action to get our economy moving again, invest for the future, and put the nation on a sustainable fiscal path.